MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BAC1054 – PRINCIPLES OF MANAGEMENT ACCOUNTING

(All sections / Groups)

13 MARCH 2018
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR** printed pages excluding cover page with **FOUR** questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answers in the Answer Booklet provided.

QUESTION 1

Good Food Sdn Bhd produces a single product, Multi Grain Powder which currently sells for RM300 per unit. Material and labour cost are RM38 and RM28 per unit, respectively.

Annually, the company incurred the following costs:

Manufacturing overhead	RM600,000
Selling and marketing	RM400,000
Administration	RM280,000
Storage	RM260,000

The manufacturing overhead and selling and marketing are mixed costs, where 30% and 40% of the cost vary with the number of units produced. The administration and storage costs are fixed in nature. The budgeted annual sales revenue is RM3,000,000.

Required:

a) Calculate variable cost per unit and total fixed cost.

(8 marks)

b) Compute the break-even point in both units and values by using a mathematical equation.

(6 marks)

c) How many units will the company has to sell if the company wants a target income of RM4,500,000 for the coming year?

(5 marks)

d) Compute the margin of safety ratio and explain the figure obtained.

(4 marks)

e) State TWO assumptions of cost-volume-profit analysis.

(2 marks)

[TOTAL 25 MARKS]

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QUESTION 2

Tamco Bhd is one of the most reputable semi-conductor manufacturers in Selangor. At present, the company is producing a single semi-conductor component. The component is high-tech thus require a special machine to be produced. The production manager has made budgeted costs assuming the component will be manufactured internally. The budgeted costs are shown as follows:

Components	Units	Direct materials (RM)	Direct labour (RM)	Overhead (RM)
KK8	5,500	99,000	44,000	77,000

Out of the overhead cost shown above, 40% is variable in nature.

The production manager approaches suppliers who is willing to supply the same components that have similar specifications as KK8. The prices offered by the suppliers are RM28 per unit.

However, if the management of Tamco Bhd agrees to buy the component from the suppliers, the company needs to incur modification costs and inspection cost amounting to RM2 per unit and RM3.50 per unit, respectively. At the same time, the fixed overhead cost will be reduced by RM15,000.

The management of the company will assess the decision whether to manufacture or buy the components.

Required:

a) Prepare an incremental analysis for KK8 by showing columns for make KK8, buy KK8 and net income increase/ (decrease).

(21 marks)

b) Based on your analysis, suggest to the management of the company whether it should make or buy the component.

(2 marks)

c) List TWO non-financial factors that should be considered in a make or to buy decision.

(2 marks)

[TOTAL 25 MARKS]

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QUESTION 3

Green Garden Bhd is estimating its needs for funds for the fourth quarter of the year 2017. The following table presents the forecasted monthly sales from July 2017 to January 2018:

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018
Sales revenue (RM)	120,000	100,000	110,000	120,000	130,000	140,000	150,000

Additional information:

i. 20% of sales are collected in the month of sales, 50% one month after the month of sales and 30% two months following the month of sales.
ii. Purchase amounted to 60% of sales revenue and are made one month prior to anticipate sales.
iii. Payment for the purchase are as follows: 50% in the month of purchases, 35% one month after purchases and 15% two month after purchases.
iv. Wages and other expenses are 20% of the month's sales and the payment are made in the month which they are incurred.
v. A new machine with a cost of RM5,000 will be installed in September 2017 but the payment will be made in December 2017.
vi. Opening cash balance on 1 October 2017 is expected to be RM20,000.

Required:

Prepare a cash budget for Green Garden Bhd for the month of October, November and December 2017.

[TOTAL 25 MARKS]

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QUESTION 4

Ben-Thur Electronics Bhd is a producer of electronic device and had drawn up a budget for the second quarter of 2017. The company believes it will normally operate within the range of 5,000 to 7,000 units per quarter.

	RM
Variable costs per unit	
Indirect materials	3.30
Indirect labour	4.20
Manufacturing overheads	8.20
Maintenance	3.60
Fixed costs per quarter	
Depreciation	6,000
Property taxes	500

During the second quarter of 2017, the actual production was 5,800 units.

Costs incurred were as follows:

	RM
Indirect materials	19,950
Indirect labour	25,800
Manufacturing overheads	47,620
Maintenance	20,700
Depreciation	6,000
Property taxes	500

Required:

a) Prepare a flexible budget report for the second quarter of 2017 and indicate the variances that arise.

(20 marks)

b) List FIVE benefits of budgeting.

(5 marks)

[TOTAL 25 MARKS]

End of Paper